
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D. C. 20549

FORM 10-Q

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended **June 30, 2015**
OR
 Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from: _____ to _____

Commission File Number: **001-05270**

AMERICAN INDEPENDENCE CORP.

(Exact name of registrant as specified in its charter)

Delaware **11-1817252**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

485 Madison Avenue, New York, NY **10022**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(212) 355-4141**

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at August 7, 2015</u>
Common stock, \$0.01 par value	8,079,215 shares

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Copies of the Company's SEC filings can be found on its website at www.americanindependencecorp.com.

Forward-Looking Statements

This report on Form 10-Q contains certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. We have based our forward-looking statements on our current expectations and projections about future events. Our forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, included or incorporated by reference in this report that address activities, events or developments that we expect or anticipate may occur in the future, including such things as the growth of our business and operations, our business strategy, competitive strengths, goals, plans, future capital expenditures and references to future successes may be considered forward-looking statements. Also, when we use words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “probably” or similar expressions, we are making forward-looking statements.

Numerous risks and uncertainties may impact the matters addressed by our forward-looking statements, any of which could negatively and materially affect our future financial results and performance. We describe some of these risks and uncertainties in greater detail in Item 1A, Risk Factors, of AMIC’s annual report on Form 10-K as filed with Securities and Exchange Commission.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements that are included in this report, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. Our forward-looking statements speak only as of the date made, and we will not update these forward-looking statements unless the securities laws require us to do so. In light of these risks, uncertainties and assumptions, any forward-looking event discussed in this report may not occur.

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

American Independence Corp. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	June 30,	December 31,
	2015	2014
	(Unaudited)	
ASSETS:		
Investments:		
Securities purchased under agreements to resell	\$ 8,227	\$ 3,143
Trading securities	1,104	1,138
Fixed maturities available-for-sale, at fair value	75,511	73,608
Equity securities available-for-sale, at fair value	1,018	1,013
Total investments	85,860	78,902
Cash and cash equivalents	4,507	4,569
Restricted cash (\$16,919 and \$15,867, respectively, restricted by related parties)	19,975	18,881
Accrued investment income	531	652
Premiums receivable (\$12,386 and \$9,115, respectively, due from related parties)	16,907	13,257
Net deferred tax asset	8,966	12,025
Due from reinsurers (\$3,192 and \$2,869, respectively, due from related parties)	5,861	5,532
Goodwill	6,134	-
Intangible assets	14,845	9,915
Accrued fee income (\$2,178 and \$1,384, respectively, due from related parties)	4,276	4,469
Due from securities brokers	352	293
Other assets (\$219 and \$165, respectively, due from related parties)	14,151	17,286
TOTAL ASSETS	\$ 182,365	\$ 165,781
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Policy benefits and claims (\$26,255 and \$19,843, respectively, due to related parties)	\$ 41,097	\$ 33,616
Premium and claim funds payable (\$16,919 and \$15,867, respectively, due to related parties)	19,975	18,881
Commission payable (\$4,440 and \$3,747, respectively, due to related parties)	5,705	4,672
Accounts payable, accruals and other liabilities (\$2,221 and \$1,784, respectively, due to related parties)	14,095	11,283
Debt	3,326	-
State income taxes payable	619	597
Due to securities brokers	220	58
Due to reinsurers (\$16 and \$597, respectively, due to related parties)	754	2,334
Total liabilities	85,791	71,441
STOCKHOLDERS' EQUITY:		
American Independence Corp. stockholders' equity:		
Preferred stock, \$0.10 par value, 1,000 shares designated; no shares issued and outstanding	-	-
Common stock, \$0.01 par value, 15,000,000 shares authorized; 9,181,793 shares issued, respectively; 8,079,215 shares outstanding, respectively	92	92
Additional paid-in capital	80,106	79,746
Accumulated other comprehensive loss	(133)	(154)
Treasury stock, at cost, 1,102,578 shares, respectively	(10,243)	(10,243)
Retained earnings	23,700	22,139
Total American Independence Corp. stockholders' equity	93,522	91,580
Non-controlling interest in subsidiaries	3,052	2,760
Total equity	96,574	94,340
TOTAL LIABILITIES AND EQUITY	\$ 182,365	\$ 165,781

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
REVENUES:				
Premiums earned (\$20,726, \$16,173, \$40,509 and \$33,819, respectively, from related parties)	\$ 37,232	\$ 33,644	\$ 73,449	\$ 66,128
Fee and agency income (\$4,928, \$3,291, \$11,360 and \$7,503, respectively, from related parties)	7,080	5,561	13,622	15,537
Net investment income	498	565	1,110	1,101
Net realized investment gains	211	235	352	283
Other income	589	15	634	58
	<u>45,610</u>	<u>40,020</u>	<u>89,167</u>	<u>83,107</u>
EXPENSES				
Insurance benefits, claims and reserves (\$12,817, \$12,298, \$25,494 and \$23,663, respectively, from related parties)	25,296	20,997	49,266	42,783
Selling, general and administrative expenses (\$5,888, \$5,195, \$11,693 and \$10,556, respectively, from related parties)	18,461	17,839	36,526	37,488
Amortization and depreciation	392	434	679	862
	<u>44,149</u>	<u>39,270</u>	<u>86,471</u>	<u>81,133</u>
Income before income tax	1,461	750	2,696	1,974
Provision for income taxes	523	307	987	649
Net income	938	443	1,709	1,325
Less: Net (income) loss attributable to the non-controlling interest	(51)	14	(100)	(226)
Net income attributable to American Independence Corp.	\$ <u>887</u>	\$ <u>457</u>	\$ <u>1,609</u>	\$ <u>1,099</u>
Basic income per common share:				
Net income attributable to				
American Independence Corp. common stockholders	\$ <u>.11</u>	\$ <u>.06</u>	\$ <u>.20</u>	\$ <u>.14</u>
Weighted-average shares outstanding	<u>8,079</u>	<u>8,076</u>	<u>8,079</u>	<u>8,075</u>
Diluted income per common share:				
Net income attributable to				
American Independence Corp. common stockholders	\$ <u>.11</u>	\$ <u>.06</u>	\$ <u>.20</u>	\$ <u>.14</u>
Weighted-average diluted shares outstanding	<u>8,094</u>	<u>8,101</u>	<u>8,093</u>	<u>8,100</u>

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
Net Income	\$ 938	\$ 443	1,709	1,325
Other comprehensive income (loss):				
Unrealized holding gains (losses) arising during the period, net of tax expense (benefit) of \$(137), \$0, \$55 and \$0, respectively	(255)	963	257	2,324
Less: reclassification adjustment for gains included in net income, net of tax of \$84, \$0, \$127 and \$0, respectively	(155)	(138)	(236)	(192)
Other comprehensive income (loss)	(410)	825	21	2,132
Comprehensive income (loss)	528	1,268	1,730	3,457
Less: comprehensive (income) loss attributable to non-controlling interests	(51)	14	(100)	(226)
Comprehensive income (loss) attributable to American Independence Corp.	\$ 477	\$ 1,282	1,630	3,231

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statement of Changes In Stockholders' Equity
(In thousands)
(Unaudited)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK, AT COST	RETAINED EARNINGS	TOTAL AMIC STOCKHOLDERS' EQUITY	NON- CONTROLLING INTERESTS IN SUBSIDIARIES	TOTAL EQUITY
BALANCE AT DECEMBER 31, 2014	\$ 92	\$ 79,746	\$ (154)	\$ (10,243)	\$ 22,139	\$ 91,580	\$ 2,760	\$ 94,340
Net income					1,609	1,609	100	1,709
Other comprehensive income, net of tax			21			21		21
Acquisition of IPA Family, LLC non-controlling interests		338				338	(464)	(126)
Acquisition of Global Accident Facilities, LLC ("GAF")							608	608
Share-based compensation expense		22				22		22
Other					(48)	(48)	48	-
BALANCE AT JUNE 30, 2015	\$ 92	\$ 80,106	\$ (133)	\$ (10,243)	\$ 23,700	\$ 93,522	\$ 3,052	\$ 96,574

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

	Six Months Ended	
	June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,709	\$ 1,325
Adjustments to reconcile net income to net change in cash from operating activities:		
Net realized investment gains	(352)	(283)
Amortization and depreciation	679	862
Equity income	(127)	(54)
Net gain on step acquisition of GAF and settlement of pre-existing relationships (see Note 2)	(503)	-
Deferred tax expense	962	644
Non-cash stock compensation expense	22	27
Amortization of bond premiums and discounts	301	254
Change in operating assets and liabilities:		
Change in trading securities	23	(437)
Change in policy benefits and claims	7,481	(2,249)
Change in net amounts due from and to reinsurers	(1,909)	772
Change in accrued fee income	193	(606)
Change in claims fund	8	(115)
Change in commissions payable	1,033	183
Change in premiums receivable	(3,650)	1,059
Change in income taxes	65	(8)
Distribution from interest in partnerships	173	-
Change in other assets and other liabilities	180	587
Net cash provided by operating activities	<u>6,288</u>	<u>1,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales of securities under resale and repurchase agreements	(5,084)	(1,336)
Sales of and principal repayments on fixed maturities	39,226	27,634
Maturities and other repayments of fixed maturities	2,207	2,362
Purchases of fixed maturities	(43,330)	(31,630)
Sales of equity securities	-	1
Change in loans receivable	276	(72)
Cash acquired in acquisition of GAF, net of cash paid	511	-
Other investing activities	(30)	1,450
Net cash used by investing activities	<u>(6,224)</u>	<u>(1,591)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	-	33
IPA acquisition of non-controlling interest	(126)	-
Dividends paid to non-controlling interests	-	(472)
Net cash used by financing activities	<u>(126)</u>	<u>(439)</u>
Decrease in cash and cash equivalents	(62)	(69)
Cash and cash equivalents, beginning of period	4,569	4,424
Cash and cash equivalents, end of period	<u>\$ 4,507</u>	<u>\$ 4,355</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during period for:		
Income taxes	\$ 10	\$ 5

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Significant Accounting Policies and Practices

(A) Business and Organization

American Independence Corp. is a Delaware corporation (NASDAQ: AMIC). We are a holding company principally engaged in the insurance and reinsurance business through: a) our wholly owned insurance company, Independence American Insurance Company ("Independence American"); b) our full service direct writer of medical stop-loss insurance for self-insured employer groups, IHC Risk Solutions, LLC ("Risk Solutions"); c) our 23% investment in Majestic Underwriters LLC ("Majestic"); d) our 51% ownership in HealthInsurance.org, LLC ("HIO"), a lead generation agency; e) our wholly owned sales and marketing company, IHC Specialty Benefits, Inc. ("Specialty Benefits"); f) our 80% ownership in Global Accident Facilities, LLC ("GAF"), a holding company for agencies that primarily produces occupational accident and injury on duty business; g) our wholly owned career sales agency, IPA Family, LLC ("IPA Family"); and h) our 92% ownership in IPA Direct, LLC ("IPAD"), a consumer direct sales call center.

As used in this report, unless otherwise required by the context, AMIC and its subsidiaries are sometimes collectively referred to as the "Company" or "AMIC", or are implicit in the terms "we", "us" and "our". Risk Solutions, Specialty Benefits, HIO, GAF, IPAD and IPA Family are collectively referred to as "our Agencies".

Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"). Through various transactions subsequently, IHC and its subsidiaries further increased its ownership of AMIC to approximately 92%. The senior management of IHC provides direction to the Company through a service agreement between the Company and IHC. IHC has also entered into reinsurance treaties through its wholly owned subsidiaries, Standard Security Life Insurance Company of New York ("Standard Security Life") and Madison National Life Insurance Company, Inc. ("Madison National Life"), whereby the Company assumes reinsurance premiums from the following lines of business: medical stop-loss, New York State Disability Benefits Law ("DBL"), short-term medical, long-term disability ("LTD") and group major medical.

(B) Consolidation

(i) IPA Family

During the second quarter of 2015, AMIC purchased all remaining ownership shares of IPA Family from non-controlling interests for cash consideration of approximately \$126,000, thereby increasing its ownership interest in IPA Family to 100% as of June 30, 2015. At December 31, 2014, the Company owned 90% of IPA Family. As a result of this transaction, the Company recorded a \$338,000 credit to additional paid-in capital representing the difference between the fair value of the consideration paid and the carrying value of the non-controlling interests, which was \$464,000 at the time of the transaction.

Effects of Ownership Changes in Subsidiaries

The following table summarizes the effects of changes in the Company's ownership interests in its subsidiaries on AMIC's equity for the six months ended June 30, 2015 (in thousands):

Changes in AMIC's paid-in capital:	
Purchase of IPA Family ownership interest	\$ 338
Net transfers from non-controlling interests	\$ (338)

(ii) GAF

During the second quarter of 2015, the Company increased its ownership in GAF to 80%. See Note 2 for information regarding the acquisition of GAF.

(C) Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and include the accounts of AMIC and its consolidated subsidiaries. All intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect: (i) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and (ii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. AMIC’s annual report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission, should be read in conjunction with the accompanying condensed consolidated financial statements.

AMIC acquired a controlling interest in GAF on April 30, 2015. Prior to obtaining control, AMIC recorded its investment in GAF using the equity method. AMIC recorded changes in its investment in GAF in the “Other income” line in the Condensed Consolidated Statements of Income. Upon achieving control, on April 30, 2015, GAF’s income and expense amounts became consolidated with AMIC’s results. The Condensed Consolidated Balance Sheet at June 30, 2015 includes the consolidated balance sheet of GAF.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the condensed consolidated financial position and results of operations for the interim periods have been included. The Condensed Consolidated Statements of Income for the six months ended June 30, 2015 is not necessarily indicative of the results to be anticipated for the entire year.

(D) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In April 2014, the Financial Accounting Standards Board (“FASB”) issued guidance: (i) improving the definition of discontinued operations by limiting the reporting of discontinued operations to disposals of components that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results; and (ii) requiring expanded disclosures for discontinued operations. The adoption of this guidance did not have any effect on the Company’s consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In May 2015, the FASB issued guidance requiring additional disclosures for short-duration contracts regarding the liability for unpaid claims and claim adjustment expenses. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a significant effect on the Company’s consolidated financial statements.

In June 2014, the FASB issued explicit guidance for entities that grant their employees share-based payments in which the terms of the award include a performance target that affects vesting and could be achieved after the requisite service period. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Earlier adoption is permitted. The guidance may be applied either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of this guidance is not expected to have a material effect on the Company’s consolidated financial statements.

In May 2014, the FASB issued revenue recognition guidance for entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards such as insurance contracts or lease contracts. The amendment provides specific steps that an entity should apply in order to achieve its main objective which is recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, this guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and requires one of two specified retrospective methods of application. Early application is prohibited. Management has not yet determined the impact that the adoption of this guidance will have on the Company’s consolidated financial statements.

(E) Segment Reporting

The Company manages and reports the business as a single segment in accordance with FASB guidance, which views certain qualitative and quantitative criteria for determining whether different lines of business should be aggregated for financial

reporting purposes. FASB guidance requires the use of the “management approach” model for segment reporting. The management approach model is based on the way a company’s management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure or any other manner in which management disaggregates a company.

The Company is managed with a focus on its overall insurance and reinsurance capabilities as opposed to any one line of business. Our Chief Executive Officer, who is our chief decision maker, evaluates financial information for our business as a single segment in allocating resources and assessing performance. The integrated nature of our insurance lines of business with our Agencies is sufficiently commingled to permit their aggregation as a single reporting segment.

2. Global Accident Facilities, LLC

On April 30, 2015 (the "Acquisition Date"), through a settlement with a former owner, AMIC increased its ownership in Global Accident Facilities, LLC (“GAF”) from 40% to 80%, in order to obtain control of the business it produces for Independence American. GAF and its subsidiaries are principally engaged in the marketing, underwriting and administration of specialty risk insurance, referred to as Occupational Accident and Injury on Duty for Independence American, which are offered exclusively in Texas and Massachusetts, respectively. The consideration transferred in exchange for the additional 40% ownership interest consisted of: (i) \$325,000 in cash; and (ii) non-monetary consideration, primarily consisting of the settlement of a pre-existing relationship with the former owner, with a fair value of \$1,195,000 at the Acquisition Date. The fair value of the settlement of the pre-existing relationship was based on projected future underwriting results discounted for collectability. The acquisition resulted in AMIC’s obtaining control of GAF. Immediately preceding the transaction, AMIC’s carrying value of its investment in GAF was \$1,908,000.

As a result of AMIC obtaining control, the Company has included GAF’s consolidated assets and liabilities and results of operations, subsequent to the Acquisition Date, in its consolidated financial results as of and for the periods ended June 30, 2015. Accordingly, the individual line items on the unaudited Condensed Consolidated Statements of Income for 2015 reflect approximately two months of the operations of GAF with no corresponding amounts for 2014.

On the Acquisition Date, the Company recognized a net pre-tax gain of \$503,000 as follows: (i) a loss of \$692,000 was recognized by AMIC as a result of re-measuring its equity interest in GAF to its fair value of \$1,216,000 immediately before the acquisition; and (ii) a gain of \$1,195,000 was recognized by AMIC as a result of settling the pre-existing relationship with the former owner. The net pre-tax gain of \$503,000 is included in the “Other income” line in the Condensed Consolidated Statements of Income.

Upon the acquisition of a controlling interest, the Company consolidated the net assets of GAF. Accordingly, the Company determined the fair value of the identifiable assets acquired and liabilities assumed from GAF on the Acquisition Date. The following table presents the identifiable assets acquired and liabilities assumed in the acquisition of GAF on the Acquisition Date based on their respective fair values (in thousands):

Cash	\$	836
Intangible assets		5,500
Other assets		<u>1,249</u>
Total identifiable assets		<u>7,585</u>
Other liabilities		4,849
Deferred tax liability		2,200
Debt		<u>3,326</u>
Total liabilities		<u>10,375</u>
Net identifiable liabilities assumed	\$	<u>2,790</u>

Included in other liabilities assumed is a \$1,000,000 contingent liability recorded in connection with an earn-out agreement with a former owner of a subsidiary of GAF. In accordance with this agreement, payments are required in 2016 and 2019 based on certain earnings targets. The fair value of the contingent liability is estimated based on projected income. The significant inputs are not observable and thus represent a fair value measurement categorized within Level 3 of the fair value hierarchy.

In connection with the acquisition, the Company recorded \$6,134,000 of goodwill and \$5,500,000 of intangible assets (see Note 7). Goodwill reflects the synergies between GAF and Independence American as GAF is the primary writer of Occupational Accident and Injury on Duty business for Independence American. Goodwill was calculated as the excess of the sum of: (i) the acquisition date fair value of total consideration transferred of \$1,520,000; (ii) the acquisition date fair value of the equity interest in

GAF immediately preceding the acquisition of \$1,216,000; and (iii) the fair value of the non-controlling interest in GAF of \$608,000 on the acquisition date; over (iv) the net liabilities of \$2,790,000 that were assumed. The enterprise value of GAF was determined by an independent appraisal using a discounted cash flow model based upon the projected future earnings of GAF including a control premium. The fair value of the non-controlling interest was determined based upon their percentage of the GAF enterprise value discounted for a lack of control. The fair value of the acquired identifiable intangible assets and deferred taxes are provisional pending receipt of the final valuations for those assets and liabilities. The Company expects to finalize the preliminary estimates of the fair value of the intangible assets and deferred taxes by the end of this year.

For the period from the Acquisition Date to June 30, 2015, the Company's Condensed Consolidated Statement of Income includes revenues and net income of \$1,741,000 and \$300,000, respectively, from GAF.

3. Income Per Common Share

Income per common share calculations are based on the weighted-average of common shares and common share equivalents outstanding during the year. Common stock options are considered to be common share equivalents and are used to calculate income per common share except when they are anti-dilutive. Included in the diluted earnings per share calculation for three months and six months ended June 30, 2015 are approximately 15,000 and 14,000 shares, respectively, from the assumed exercise of options using the treasury stock method. Included in the diluted earnings per share calculation for three months and six months ended June 30, 2014 are approximately 25,000 and 25,000 shares, respectively, from the assumed exercise of options using the treasury stock method. Net income does not change as a result of the assumed dilution of options.

4. Fee and Agency Income

The Company records fee income as corresponding policy premiums are earned. Risk Solutions is compensated in two ways. Risk Solutions earns fee income based on the volume of business produced for marketing, underwriting and administrative services that they provide for their carriers ("fee income-administration"), and earns profit-sharing commissions if such business exceeds certain profitability benchmarks ("fee income-profit commissions"). Profit-sharing commissions are accounted for beginning in the period in which the Company believes they are reasonably estimable, which is typically at the point that claims have developed to a level where recent claim development history ("Claim Development Patterns") can be applied to generate reasonably reliable estimates of ultimate claim levels. Profit-sharing commissions are a function of Risk Solutions attaining certain profitability thresholds and could vary greatly from quarter to quarter. Agency income consists of commissions, fees and lead revenue earned by our Agencies. Agency income of \$1,139,000 for the three months and six months ended June 30, 2015 from GAF is included in the table below with no comparable 2014 amounts.

Fee and Agency income consisted of the following (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Agency income	\$ 3,639	\$ 2,543	\$ 6,116	\$ 9,623
Fee income-administration	3,768	2,831	7,568	5,542
Fee income- profit commissions (recovery)	(327)	187	(62)	372
	<u>\$ 7,080</u>	<u>\$ 5,561</u>	<u>\$ 13,622</u>	<u>\$ 15,537</u>

5. Investments

The cost (amortized cost with respect to certain fixed maturities), gross unrealized gains, gross unrealized losses and fair value of long-term investment securities are as follows (in thousands):

JUNE 30, 2015				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES				
AVAILABLE-FOR-SALE:				
Corporate securities	\$ 29,084	\$ 48	\$ (482)	\$ 28,650
Foreign government	605	7	-	612
Collateralized mortgage obligations (CMO) – residential	232	4	-	236
CMO – commercial	390	103	-	493
States, municipalities and political subdivisions	36,354	94	(255)	36,193
U.S. Government	7,675	98	-	7,773
Government sponsored enterprise (GSE)	1,101	18	(1)	1,118
Agency mortgage backed pass through securities (MBS)	50	2	-	52
Redeemable preferred stocks	273	111	-	384
Total fixed maturities	<u>\$ 75,764</u>	<u>\$ 485</u>	<u>\$ (738)</u>	<u>\$ 75,511</u>
EQUITY SECURITIES				
AVAILABLE-FOR-SALE:				
Nonredeemable preferred stocks	970	48	-	1,018
Total available-for-sale equity securities	<u>\$ 970</u>	<u>\$ 48</u>	<u>\$ -</u>	<u>\$ 1,018</u>
DECEMBER 31, 2014				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES				
AVAILABLE-FOR-SALE:				
Corporate securities	\$ 29,905	\$ 90	\$ (438)	\$ 29,557
Foreign government	6,616	34	(101)	6,549
CMO – residential	851	4	(2)	853
CMO – commercial	390	-	(9)	381
States, municipalities and political subdivisions	27,631	260	(212)	27,679
U.S. Government	6,674	49	-	6,723
GSE	1,400	23	(7)	1,416
MBS	65	4	-	69
Redeemable preferred stocks	273	108	-	381
Total fixed maturities	<u>\$ 73,805</u>	<u>\$ 572</u>	<u>\$ (769)</u>	<u>\$ 73,608</u>
EQUITY SECURITIES				
AVAILABLE-FOR-SALE				
Nonredeemable preferred stocks	970	43	-	1,013
Total available-for-sale equity securities	<u>\$ 970</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 1,013</u>

Government-sponsored enterprises (“GSEs”) are private enterprises established and chartered by the Federal Government, or its various insurance and lease programs that carry the full faith and credit obligation of the US Government.

The amortized cost and fair value of fixed maturities at June 30, 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. CMOs and MBSs are shown separately, as they are not due at a single maturity.

	AMORTIZED COST	FAIR VALUE
(In thousands)		
Due in one year or less	\$ 894	\$ 894
Due after one year through five years	24,653	24,667
Due after five years through ten years	18,402	18,218
Due after ten years	31,050	30,856
CMOs and MBSs	765	876
	<u>\$ 75,764</u>	<u>\$ 75,511</u>

The following tables summarize, for all securities in an unrealized loss position at June 30, 2015 and December 31, 2014, the aggregate fair value and gross unrealized loss by length of time, those securities that have continuously been in an unrealized loss position (in thousands):

	June 30, 2015					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>FIXED MATURITIES:</i>						
Corporate securities	\$ 9,268	\$ 175	\$ 11,536	\$ 307	\$ 20,804	\$ 482
States, municipalities and political subdivisions	18,437	119	5,139	136	23,576	255
GSE	-	-	65	1	65	1
Total temporarily impaired securities	<u>\$ 27,705</u>	<u>\$ 294</u>	<u>\$ 16,740</u>	<u>\$ 444</u>	<u>\$ 44,445</u>	<u>\$ 738</u>
Number of securities in an unrealized loss position	<u>21</u>		<u>15</u>		<u>36</u>	

	December 31, 2014					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>FIXED MATURITIES:</i>						
Corporate securities	\$ 6,101	\$ 83	\$ 14,087	\$ 355	\$ 20,188	\$ 438
Foreign government	4,550	40	1,355	61	5,905	101
CMO – residential	-	-	566	2	566	2
CMO – commercial	-	-	381	9	381	9
States, municipalities and political subdivisions	3,691	61	6,448	151	10,139	212
GSE	-	-	351	7	351	7
Total temporarily impaired securities	<u>\$ 14,342</u>	<u>\$ 184</u>	<u>\$ 23,188</u>	<u>\$ 585</u>	<u>\$ 37,530</u>	<u>\$ 769</u>
Number of securities in an unrealized loss position	<u>11</u>		<u>22</u>		<u>33</u>	

Substantially all of the unrealized losses on fixed maturities at June 30, 2015 and December 31, 2014 were attributable to changes in market interest rates. Because the Company does not intend to sell, nor is it more likely than not that the Company will have to sell, such investments before recovery of their amortized cost bases, the Company does not consider those investments to be other-than-temporarily impaired at June 30, 2015.

The following table summarizes the Company's net investment income for three months and six months ended June 30, 2015 and 2014 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Fixed maturities	\$ 474	\$ 551	\$ 1,015	\$ 1,110
Equity securities	20	24	51	54
Short-term investments	1	1	2	1
Other	3	(11)	42	(64)
Net investment income	<u>\$ 498</u>	<u>\$ 565</u>	<u>\$ 1,110</u>	<u>\$ 1,101</u>

Net realized investment gains for the three months and six months ended June 30, 2015 and 2014 are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Available-for-sale securities:				
Fixed maturities	\$ 239	\$ 138	\$ 363	\$ 192
Preferred stock	-	-	-	-
Total available-for-sale securities	239	138	363	192
Trading securities				
Trading securities	13	2	14	(12)
Change in unrealized gain on trading securities	(41)	95	(25)	103
Net realized investment gains	\$ 211	\$ 235	\$ 352	\$ 283

For the six months ended June 30, 2015 and 2014, proceeds from sales of available-for-sale securities were \$39,226,000 and \$27,634,000, respectively. For the three months and six months ended June 30, 2015, the Company recorded realized gross gains of \$294,000 and \$451,000, respectively, and gross losses of \$54,000 and \$88,000, respectively, on available-for-sale securities. For the three months and six months ended June 30, 2014, the Company recorded realized gross gains of \$198,000 and \$305,000, respectively, and gross losses of \$60,000 and \$112,000, respectively, on available-for-sale securities.

We recognize an other-than-temporary impairment loss in earnings in the period that we determine: 1) we intend to sell the security; 2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis; or 3) the security has a credit loss. Any non-credit portion of the other-than-temporary impairment loss is recognized in other comprehensive income (loss). For the six months ended June 30, 2015 and 2014, there were no other-than-temporary impairments recognized in earnings.

Cumulative credit losses for other-than-temporary impairments recorded on securities for which a portion of an other-than-temporary impairment was recognized in other comprehensive income (loss) were \$288,000 as of June 30, 2015 and December 31, 2014.

6. Fair Value Measurements

For all financial and non-financial instruments accounted for at fair value on a recurring basis, the Company utilizes valuation techniques based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market expectations. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 – Instruments where significant value drivers are unobservable.

The following section describes the valuation methodologies we use to measure different financial instruments at fair value.

Investments in fixed maturities and equity securities

Available-for-sale securities included in Level 1 are equity securities with quoted market prices. Level 2 is primarily comprised of our portfolio of corporate fixed income securities, government agency mortgage-backed securities, government sponsored enterprises, certain CMO securities, municipals and certain preferred stocks that were priced with observable market inputs. Level 3 securities consist of CMO securities backed by Alt-A mortgages. For these securities, we use industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management's assumptions and available market information. Significant unobservable inputs used in the fair value measurement of CMO's are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is

accompanied by a directionally similar change in the assumption used for loss severity and a directionally opposite change in the assumption used for prepayment rates. Further we retain independent pricing vendors to assist in valuing certain instruments.

Trading securities

Trading securities included in Level 1 are equity securities with quoted market prices.

The following tables present our financial assets measured at fair value on a recurring basis at June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	\$ -	\$ 28,650	\$ -	\$ 28,650
Foreign government	-	612	-	612
CMO – residential	-	236	-	236
CMO – commercial	-	-	493	493
States, municipalities and political subdivisions	-	36,193	-	36,193
U.S. government	-	7,773	-	7,773
GSE	-	1,118	-	1,118
MBS – residential	-	52	-	52
Redeemable preferred stocks	384	-	-	384
Total fixed maturities	<u>384</u>	<u>74,634</u>	<u>493</u>	<u>75,511</u>
Equity securities available-for-sale:				
Nonredeemable preferred stocks	1,018	-	-	1,018
Total equity securities	<u>1,018</u>	<u>-</u>	<u>-</u>	<u>1,018</u>
Trading securities:				
Common Stock	1,104	-	-	1,104
Total trading securities	<u>1,104</u>	<u>-</u>	<u>-</u>	<u>1,104</u>
Total financial assets	<u>\$ 2,506</u>	<u>\$ 74,634</u>	<u>\$ 493</u>	<u>\$ 77,633</u>

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	\$ -	\$ 29,557	\$ -	\$ 29,557
Foreign government	-	6,549	-	6,549
CMO – residential	-	853	-	853
CMO – commercial	-	-	381	381
States, municipalities and political subdivisions	-	27,679	-	27,679
U.S. government	-	6,723	-	6,723
GSE	-	1,416	-	1,416
MBS – residential	-	69	-	69
Redeemable preferred stocks	381	-	-	381
Total fixed maturities	<u>381</u>	<u>72,846</u>	<u>381</u>	<u>73,608</u>
Equity securities available-for-sale:				
Nonredeemable preferred stocks	1,013	-	-	1,013
Total equity securities	<u>1,013</u>	<u>-</u>	<u>-</u>	<u>1,013</u>
Trading securities:				
Common Stock	1,138	-	-	1,138
Total trading securities	<u>1,138</u>	<u>-</u>	<u>-</u>	<u>1,138</u>
Total financial assets	<u>\$ 2,532</u>	<u>\$ 72,846</u>	<u>\$ 381</u>	<u>\$ 75,759</u>

The following table provides carrying values, fair values and classification in the fair value hierarchy of the Company's financial instruments, for the periods indicated, that are not carried at fair value but are subject to fair value disclosure requirements, for the periods indicated (in thousands):

	June 30, 2015		December 31, 2014	
	Level 2		Level 2	
	Fair Value	Carrying Value	Fair Value	Carrying Value
FINANCIAL LIABILITIES:				
Debt	\$ 3,326	\$ 3,326	\$ -	\$ -

The following methods and assumptions were used to estimate the fair value of the financial instruments that are not carried at fair value in the Consolidated Financial Statements:

Debt

The fair value of debt with fixed interest rates approximates its carrying amount and is included in Level 2 of the fair value hierarchy.

It is the Company's policy to recognize transfers of assets and liabilities between levels of the fair value hierarchy at the end of a reporting period. For the six months ending June 30, 2015, there were no transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy. No securities were transferred out of the Level 2 and into the Level 3 category during the six months ended June 30, 2015 or 2014. The Company does not transfer out of Level 3 and into Level 2 until such time as observable inputs become available and reliable or the range of available independent prices narrow. No securities were transferred out of the Level 3 category during the six months ended June 30, 2015 or 2014. The changes in the carrying value of Level 3 assets and liabilities for the three months and six months ended June 30, 2015 and 2014 are summarized as follows (in thousands):

	Three Months Ended June 30, 2015	
	CMOs - Commercial	
	Balance, beginning of period	\$ 406
Net unrealized gain included in accumulated other comprehensive income (loss)	87	
Balance, end of period	\$ 493	
	Three Months Ended June 30, 2014	
	CMOs - Commercial	
	Balance, beginning of period	\$ 348
Net unrealized gain included in accumulated other comprehensive income (loss)	14	
Balance, end of period	\$ 362	
	Six Months Ended June 30, 2015	
	CMOs - Commercial	
	Balance, beginning of period	\$ 381
Net unrealized gain included in accumulated other comprehensive income (loss)	112	
Balance, end of period	\$ 493	

	Six Months Ended June 30, 2014	
	CMOs - Commercial	
Balance, beginning of period	\$	237
Net unrealized gain included in accumulated other comprehensive income (loss)		125
Balance, end of period	\$	<u>362</u>

7. Goodwill and Other Intangible Assets

The carrying amount of goodwill was \$6,134,000 and \$0 at June 30, 2015 and December 31, 2014, respectively.

In connection with the acquisition of a controlling interest in GAF discussed in Note 2, the Company recorded \$6,134,000 of goodwill and \$5,500,000 of intangible assets at June 30, 2015. None of the goodwill is deductible for income tax purposes.

Of the intangible assets of \$5,500,000 recorded, \$1,000,000 represents the fair value of trademarks, which is being amortized over a period of 8 years, and \$4,500,000 represents the fair value of customer relationships being amortized over a period of 9 years.

The change in the carrying amount of other intangible assets for the three months and six months ended June 30, 2015 and 2014 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Balance, beginning of period	\$ 9,689	\$ 11,019	\$ 9,915	\$ 11,408
Additions	5,500	-	5,500	-
Amortization expense	(344)	(389)	(570)	(778)
Balance, end of period	<u>\$ 14,845</u>	<u>\$ 10,630</u>	<u>\$ 14,845</u>	<u>\$ 10,630</u>

8. Related-Party Transactions

AMIC and its subsidiaries incurred expense of \$209,000 and \$229,000 for the three months ended June 30, 2015 and 2014, respectively, and \$381,000 and \$478,000 for the six months ended June 30, 2015 and 2014, respectively, from service agreements with IHC and its subsidiaries which is recorded in Selling, General and Administrative Expenses in the Condensed Consolidated Statements of Income. These payments reimburse IHC and its subsidiaries, at agreed upon rates including an overhead factor, for certain services provided to AMIC and its subsidiaries, including general management, corporate strategy, accounting, legal, compliance, underwriting, and claims.

Independence American assumes premiums from IHC subsidiaries, and records related insurance income, expenses, assets and liabilities. Independence American pays administrative fees and commissions to subsidiaries of IHC in connection with fully insured health and medical stop-loss business written and assumed by Independence American. Additionally, Risk Solutions markets, underwrites and provides administrative services, and also provides medical management and claims adjudication, for a substantial portion of the medical stop-loss business written by the insurance subsidiaries of IHC. Risk Solutions records related income, assets and liabilities in connection with that business. Such related-party information is disclosed on the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income. The Company also contracts for several types of insurance coverage (e.g. directors and officers and professional liability coverage) jointly with IHC. The cost of this coverage is split proportionally between the Company and IHC according to the type of risk and the Company's portion is recorded in Selling, General and Administrative Expenses.

9. Share-Based Compensation

Total share-based compensation expense was \$11,000 and \$16,000 for the three months ended June 30, 2015 and 2014, respectively, and \$22,000 and \$27,000 for the six months ended June 30, 2015 and 2014, respectively. Related tax benefits of \$4,000 and \$5,000 were recognized for the three months ended June 30, 2015 and 2014, respectively, and \$8,000 and \$10,000 for the six months ended June 30, 2015 and 2014, respectively.

Under the terms of the Company's stock-based compensation plan, option exercise prices are equal to the quoted market price of the shares at the date of grant; option terms are ten years; and vesting periods range from three to four years. The Company may also grant shares of restricted stock, stock appreciation rights and share-based performance awards. Restricted shares are valued at the quoted market price of the shares at the date of grant, and have a three year vesting period.

Stock Options

The following table summarizes information regarding outstanding and exercisable options as of June 30, 2015:

	Outstanding	Exercisable
Number of options	113,116	99,782
Weighted average exercise price per share	\$ 8.88	\$ 8.79
Aggregate intrinsic value of options	\$ 201,000	\$ 188,000
Weighted average contractual term remaining	4.10 years	3.50 years

The Company's stock option activity for the six months ended June 30, 2015 is as follows:

	No. of Shares Under Option	Weighted Average Exercise Price
Balance, December 31, 2014	166,616	\$ 10.50
Expired	(53,500)	13.92
Balance, June 30, 2015	<u>113,116</u>	<u>\$ 8.88</u>

Compensation expense of \$11,000 and \$16,000 was recognized for the three months ended June 30, 2015 and 2014, respectively, and \$22,000 and \$27,000 for the six months ended June 30, 2015 and 2014, respectively, for the portion of the fair value of stock options vesting during that period.

As of June 30, 2015, there was approximately \$62,000 of total unrecognized compensation expense related to non-vested options that will be recognized over the remaining requisite service periods.

10. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) include the after-tax net unrealized gains and losses on investment securities available for sale including the subsequent increases and decreases in fair value of available-for-sale securities previously impaired and the non-credit related component of other-than-temporary impairments of fixed maturities and equity securities.

Included in accumulated other comprehensive income (loss) at June 30, 2015 and December 31, 2014 are adjustments of \$269,000 related to the non-credit related component of other-than-temporary impairment losses recorded.

11. Income Taxes

The provision for income taxes shown in the Condensed Consolidated Statements of Income was computed based on the Company's actual results, which approximate the effective tax rate expected to be applicable for the balance of the current fiscal year. At June 30, 2015, the Company had consolidated net operating loss ("NOL") carryforwards of approximately \$262,189,000 for federal income tax purposes expiring in varying amounts through the year 2028 with a significant portion expiring in 2020.

The net deferred tax assets shown in the Condensed Consolidated Balance Sheets for the periods ending June 30, 2015 and December 31, 2014 are \$8,966,000 and \$12,025,000, respectively. In connection with the acquisition of a controlling interest in GAF discussed in Note 2, the Company assumed \$2,200,000 of deferred tax liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Internal Revenue Service ("IRS") has previously

audited the Company's 2003, 2004 and 2009 consolidated income tax returns and made no changes to the reported tax for those periods. The IRS has not audited any of AMIC's tax returns for any of the years in which the losses giving rise to the NOL carryforward were reported. Management believes that it is more likely than not that the Company will realize the benefits of these net deferred tax assets recorded at June 30, 2015.

12. Debt

In connection with the acquisition of a controlling interest in GAF discussed in Note 2, the Company assumed \$3,326,000 of GAF's debt. This debt is comprised of: (i) various term loans with former owners of a subsidiary of GAF, aggregating \$3,026,000, with various maturities through January 2, 2019 and bearing a fixed interest rate of 2.5%; and (ii) a \$300,000 line of credit with a commercial bank bearing interest at 4%.

Cash payments for interest on debt was \$7,000 for the two months following the acquisition date of April 30, 2015 through June 30, 2015.

13. Repurchase of Common Stock

As of June 30, 2015, 500,000 shares were still authorized to be repurchased under the Company's Share Repurchase Program. No shares were repurchased in 2014 and 2015.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of American Independence Corp. ("AMIC") and its subsidiaries (collectively, the "Company") should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of the Company and the related Notes thereto appearing in our annual report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission, and our unaudited condensed consolidated financial statements and related Notes thereto appearing elsewhere in this quarterly report.

Overview

We are an insurance holding company engaged in the insurance and reinsurance business through our wholly owned insurance company, Independence American Insurance Company ("Independence American"), our wholly owned sales and marketing company, IHC Specialty Benefits, Inc. ("Specialty Benefits"), our wholly owned full service direct writer of medical-stop insurance for self-insured employer groups, IHC Risk Solutions, LLC ("Risk Solutions"), our wholly owned consumer direct sales agency, IPA Family LLC ("IPA Family"), our 92% owned consumer direct sales call center, IPA Direct, LLC ("IPAD"), our 80% owned agency, Global Accident Facilities, LLC ("GAF"), and our 51% owned lead generation agency, HealthInsurance.org ("HIO"). Risk Solutions, Specialty Benefits, HIO, GAF, IPAD and IPA Family are collectively referred to as "our Agencies". Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"), which owned approximately 92% of AMIC's stock as of June 30, 2015. The senior management of IHC provides direction to the Company through a service agreement between the Company and IHC. As of June 30, 2015, a significant amount of Independence American's revenue was from reinsurance premiums. The majority of these premiums are ceded to Independence American from IHC under reinsurance treaties to cede its gross medical stop-loss premiums written to Independence American. In addition, Independence American assumes fully insured health, New York State Disability Benefits Law ("DBL") and long-term disability ("LTD") premiums from IHC, and assumes medical stop-loss premiums from unaffiliated carriers. Independence American writes pet insurance, medical stop-loss, short-term medical, occupational accident, dental and other ancillary products. Given its broad licensing, A- (Excellent) rating from A.M. Best Company, Inc. ("A.M. Best"), and that it is the only property and casualty company in IHC, Independence American expects to expand the distribution of its occupational accident product.

While management considers a wide range of factors in its strategic planning, the overriding consideration is underwriting profitability. Management's assessment of trends in healthcare and in the medical stop-loss market play a significant role in determining whether to expand Independence American's health insurance premiums. Since Independence American reinsures a portion of all of the business produced by Risk Solutions, and since it is also eligible to earn profit sharing commissions based on the profitability of the business it places, Risk Solutions also emphasizes underwriting profitability. In addition, management focuses on controlling operating costs. By sharing employees with IHC and sharing resources among our subsidiaries, we strive to maximize our earnings.

Independence American Insurance Company

Independence American, which is domiciled in Delaware, is licensed to write property and/or casualty insurance in all 50 states and the District of Columbia, and has an A- (Excellent) rating from A.M. Best. We have been informed by A.M. Best that an A.M. Best rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial condition and operating performance, and is also based upon factors relevant to policyholders, agents, and intermediaries, and is not directed towards protection of investors. A.M. Best ratings are not recommendations to buy, sell or hold securities of the Company. Independence American's unaudited statutory capital and surplus as of June 30, 2015 was \$61,934,000.

Agencies

Risk Solutions has offices near Hartford, CT, Philadelphia, PA, Chicago, IL, and Ft. Wayne, IN and markets and underwrites employer medical stop-loss for Standard Security Life Insurance Company of New York ("Standard Security Life"), Madison National Life Insurance Company, Inc. ("Madison National Life"), Independence American, and one other carrier. The Company has a 51% interest in HIO, which is headquartered in Minneapolis, MN. HIO is a lead generation agency through its well-established internet domain address: www.healthinsurance.org. The Company owns Specialty Benefits, which is also headquartered in Minneapolis, MN. Specialty Benefits is a sales and marketing company. AspiraAMas.com and Healthdeals.com are divisions of Specialty Benefits. The Company owns IPA Family, which is headquartered in Tampa, FL. IPA Family is a consumer direct sales agency. The Company has a 92% interest in IPAD, which is headquartered in Lake Mary, FL. IPAD is a consumer direct sales call center. The Company has an 80% ownership in GAF, a holding company for agencies that primarily produce occupational accident and injury on duty business. GAF has offices in Marshfield, MA and Dallas, TX.

The following is a summary of key performance information and events:

The results of operations for the three months and six months ended June 30, 2015 and 2014 are summarized as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenues	\$ 45,610	\$ 40,020	\$ 89,167	\$ 83,107
Expenses	44,149	39,270	86,471	81,133
Income before income tax	1,461	750	2,696	1,974
Provision for income taxes	523	307	987	649
Net income	938	443	1,709	1,325
Less: Net (income) loss attributable to the non-controlling interest	(51)	14	(100)	(226)
Net income attributable to American Independence Corp.	\$ 887	\$ 457	\$ 1,609	\$ 1,099

- The book value of the Company increased to \$11.58 per share at June 30, 2015 compared to \$11.34 per share at December 31, 2014.
- Net income per share increased to \$.11 per share, diluted, or \$0.9 million, for the three months ended June 30, 2015, compared to \$.06 per share, diluted, or \$0.5 million for the three months ended June 30, 2014. Net income per share increased to \$.20 per share, diluted, or \$1.6 million, for the six months ended June 30, 2015, compared to \$.14 per share, diluted, or \$1.1 million for the six months ended June 30, 2014.
- At June 30, 2015, 99.5% of the Company's fixed maturities were investment grade.
- Consolidated investment yields were 2.9% and 2.8% for the six months ended June 30, 2015 and 2014, respectively.
- Premiums earned increased 11% to \$73.4 million for the six months ended June 30, 2015 compared to \$66.1 million for the six months ended June 30, 2014, primarily due to higher premiums for pet insurance, assumed medical stop-loss, international medical, occupational accident, and direct small group stop-loss, offset by lower premiums for assumed group major medical, direct medical stop-loss, and direct individual health business due to the run-off of these lines.
- For the six months ended June 30, 2015, our Agencies generated revenues of \$14.3 million compared to \$15.6 million for the six months ended June 30, 2014. Excluding income related to GAF, totaling \$1.6 million, total revenues decreased \$2.9 million due to lower revenues generated at HIO, IPA Family and Specialty Benefits, offset by higher revenues generated at Risk Solutions and IPAD.
- Agency net loss increased \$0.8 million from a loss of \$0.9 million for the six months ended June 30, 2014 to a loss of \$1.7 million for the six months ended June 30, 2015 primarily due to the exit from major medical lines of business resulting in less fee income. In addition, the fully insured agencies have increased expenses due to building marketing tools and system enhancements that will allow them to maximize the forecasted growth in the direct to consumer sales. These tools, which focus on transparent cross-selling capabilities and data warehousing can also be leveraged for producer assisted sales.

- Underwriting experience as indicated by GAAP Combined Ratios, on our three lines of business for the three months and six months ended June 30, 2015 and 2014, are as follows (in thousands):

▪ Medical Stop-Loss	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Premiums Earned	\$ 17,948	\$ 13,538	\$ 34,958	\$ 28,096
Insurance Benefits Claims and Reserves	13,442	8,021	26,350	18,300
Profit Commission Expense (Recovery)	(355)	1,422	15	1,743
Expenses	3,942	3,388	7,343	7,160
Loss Ratio ^(A)	74.9%	59.2%	75.4%	65.1%
Profit Commission Expense Ratio ^(B)	-2.0%	10.5%	0.0%	6.2%
Expense Ratio ^(C)	22.0%	25.0%	21.0%	25.5%
Combined Ratio ^(D)	94.9%	94.7%	96.4%	96.8%

▪ Fully Insured Health	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Premiums Earned	\$ 17,903	\$ 18,616	\$ 35,631	\$ 35,121
Insurance Benefits Claims and Reserves	10,982	12,093	21,075	22,757
Profit Commission Expense (Recovery)	(30)	145	(3)	487
Expenses	5,808	5,783	12,286	10,593
Loss Ratio ^(A)	61.3%	65.0%	59.1%	64.8%
Profit Commission Expense Ratio ^(B)	-0.2%	0.8%	0.0%	1.4%
Expense Ratio ^(C)	32.4%	31.1%	34.5%	30.2%
Combined Ratio ^(D)	93.5%	96.9%	93.6%	96.4%

▪ Group Disability	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Premiums Earned	\$ 1,381	\$ 1,490	\$ 2,860	\$ 2,911
Insurance Benefits Claims and Reserves	872	883	1,841	1,726
Expenses	445	453	861	874
Loss Ratio ^(A)	63.1%	59.3%	64.4%	59.3%
Expense Ratio ^(C)	32.2%	30.4%	30.1%	30.0%
Combined Ratio ^(D)	95.3%	89.7%	94.5%	89.3%

(A) Loss ratio represents insurance benefits, claims and reserves divided by premiums earned.

(B) Profit commission expense ratio represents profit commissions divided by premiums earned.

(C) Expense ratio represents commissions, administrative fees, premium taxes and other underwriting expenses divided by premiums earned.

(D) The combined ratio is equal to the sum of the loss ratio, profit commission expense ratio and the expense ratio.

- The Company recorded similar combined ratios in the medical stop-loss line of business for the three months and six months ended June 30, 2015, although there was an increase in loss ratio which was offset by a reduction in expenses and profit commission expense ratio associated with the mix of business. The 2014 loss ratio was favorably impacted by a block of business that has been terminated.

- The Company recorded a decrease in the loss ratio in the fully insured health line of business for the three months and six months ended June 30, 2015 primarily due to a decrease in loss ratio as the Company moves to specialty health lines and moves away from major medical, offset by an increase in the expense ratio due to a change in the mix of business to lines that have higher commission and expenses structures.
- The Company experienced an increased loss ratio for group disability for the three months and six months ended June 30, 2015 as a result of higher losses for the international line of LTD business.

Critical Accounting Policies

The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. A summary of the Company's significant accounting policies and practices is provided in Note 1 of the Notes to the Consolidated Financial Statements included in Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2014. Management has identified the accounting policies related to Policy Benefits and Claims, Premium and Fee income Revenue Recognition, Reinsurance, Income Taxes, Investments and Other Intangibles as those that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's condensed consolidated financial statements and this Management's Discussion and Analysis. A full discussion of these policies is included under Critical Accounting Policies in Item 7 of the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations for the Three Months Ended June 30, 2015, Compared to the Three Months Ended June 30, 2014.

		Fees and	Net	Benefits,	Selling,	Amortization	
<u>June 30,</u>	<u>Premiums</u>	<u>Other</u>	<u>Investment</u>	<u>Claims</u>	<u>General</u>	<u>and</u>	<u>Total</u>
<u>2015</u>	<u>Earned</u>	<u>Income</u>	<u>Income</u>	<u>and</u>	<u>and</u>	<u>Depreciation</u>	
(In thousands)				<u>Reserves</u>	<u>Admin</u>		
Independence							
American:							
Medical stop-loss	\$ 17,948	-	238	13,442	3,587	-	\$ 1,157
Fully Insured							
Health	17,903	-	175	10,982	5,778	-	1,318
Group Disability	1,381	-	23	872	445	-	87
Total Independence							
American	37,232	-	436	25,296	9,810	-	2,562
Agencies	-	7,669	37	-	8,256	392	(942)
Corporate	-	-	25	-	395	-	(370)
Subtotal	\$ 37,232	7,669	498	25,296	18,461	392	1,250
Net realized investment gains							211
Income before income taxes							1,461
Income taxes							(523)
Net income							938
Less: Net income attributable to the non-controlling interest							(51)
Net income attributable to American Independence Corp.							\$ 887
		Fees and	Net	Benefits,	Selling,	Amortization	
<u>June 30,</u>	<u>Premiums</u>	<u>Other</u>	<u>Investment</u>	<u>Claims</u>	<u>General</u>	<u>and</u>	<u>Total</u>
<u>2014</u>	<u>Earned</u>	<u>Income</u>	<u>Income</u>	<u>and</u>	<u>and</u>	<u>Depreciation</u>	
(In thousands)				<u>Reserves</u>	<u>Admin</u>		
Independence							
American:							
Medical stop-loss	\$ 13,538	-	307	8,021	4,810	-	\$ 1,014
Fully Insured							
Health	18,616	-	186	12,093	5,928	-	781
Group Disability	1,490	-	24	883	453	-	178
Total Independence							
American	33,644	-	517	20,997	11,191	-	1,973
Agencies	-	5,576	34	-	6,204	434	(1,028)
Corporate	-	-	14	-	444	-	(430)
Subtotal	\$ 33,644	5,576	565	20,997	17,839	434	515
Net realized investment gains							235
Income before income taxes							750
Income taxes							(307)
Net income							443
Less: Net loss attributable to the non-controlling interest							14
Net income attributable to American Independence Corp.							\$ 457

Acquisition of GAF

On April 30, 2015 (the "Acquisition Date"), through a settlement with a former owner, AMIC increased its ownership in Global Accident Facilities, LLC ("GAF) from 40% to 80%. GAF and its subsidiaries are principally engaged in the marketing, underwriting and administration of specialty risk insurance, referred to as Occupational Accident and Injury on Duty for Independence American, which are offered exclusively in Texas and Massachusetts, respectively. Cash of \$325,000 and various other non-monetary consideration, with a fair value of \$1,195,000, was transferred in exchange for the additional 40% ownership interest. The acquisition resulted in AMIC's obtaining control of GAF. Immediately preceding the transaction, AMIC's carrying value of its investment in GAF was \$1,908,000.

On the Acquisition Date, the Company recognized a net pre-tax gain of \$503,000 as follows: (i) a loss of \$692,000 was recognized by AMIC as a result of re-measuring its equity interest in GAF to its fair value of \$1,216,000 immediately before the acquisition; and (ii) a gain of \$1,195,000 was recognized by AMIC as a result of recording the nonmonetary portion of the consideration transferred at its fair value. The net pre-tax gain of \$503,000 is included in the "Other income" line in the Condensed Consolidated Statements of Income.

Prior to obtaining control, AMIC recorded its investment in GAF using the equity method. AMIC recorded changes in its investment in GAF in the "Other income" line in the Condensed Consolidated Statements of Income. Upon achieving control on April 30, 2015, GAF's income and expense amounts became consolidated with AMIC's results. Accordingly, the individual line items on the Condensed Consolidated Statements of Income for 2015 reflect approximately two months of the operations of GAF with no corresponding amounts for 2014.

Premiums Earned. Premiums earned increased 11%, or \$3,588,000 from 2014 to 2015. The Company currently has three lines of business. Premiums relating to medical stop-loss business increased \$4,410,000 due to an increase of \$4,136,000 in medical stop-loss assumed by Independence American due to an increase in volume produced by Risk Solutions, and an increase of \$2,597,000 in small group stop-loss premiums written due to an increase in sales, offset by a decrease of \$2,323,000 in medical stop-loss premiums written by Independence American through an independent MGU that has been terminated. Premiums relating to fully insured health (consisting of major medical, short-term medical, dental, vision, gap, occupational accident, pet insurance, and international medical) decreased \$713,000. The decrease is primarily due to a decrease in major medical premiums written and assumed of \$3,311,000, offset by an increase of \$1,116,000 in pet premium written due to an increase in sales, and an increase of \$1,228,000 in occupational accident business written due to the transfer of business from another carrier. Premiums relating to group disability decreased \$109,000 primarily due to lower international LTD premiums assumed. For the three months ended June 30, 2015, Independence American assumed 10% of IHC's short-term medical business, 20% of IHC's DBL business, 8% of certain of IHC's LTD business, approximately 31% of IHC's medical stop-loss business, and 10% of certain of IHC's group major medical business. There were no significant changes to these percentages from the prior year.

Fee and Agency Income. Fee and agency income increased \$1,519,000 from 2014 to 2015. Excluding income related to GAF, totaling \$1,139,000, total fee and agency income increased \$380,000. Risk Solutions fee income-administration increased \$937,000 to \$3,768,000 for 2015, compared to \$2,831,000 for 2014 primarily due to an increase in volume of premiums produced. Risk Solutions fee income-profit commission decreased \$514,000 to (\$327,000) for 2015, compared to \$187,000 for 2014 due to an increase in loss ratios. Profit commissions for a given year are based primarily on the performance of business written during portions of the three preceding years. Therefore, profit commissions for 2015 are based on business written during portions of 2012, 2013 and 2014. In 2015, agency income consisted of commission income and other fees of \$481,000, \$536,000 and \$1,139,000 from IPA Family, IPAD and GAF, respectively, and revenue of \$188,000 and \$1,295,000 from HIO and Specialty Benefits, respectively. In 2014, agency income consisted of commission income and other fees of \$314,000 and \$203,000 from IPA Family and IPAD, respectively, and revenue of \$392,000 and \$1,634,000 from HIO and Specialty Benefits, respectively.

Net Investment Income. Net investment income decreased \$67,000 from 2014 to 2015 due to a lower yield on invested assets. The consolidated investment yields were 2.7% and 2.9% for the three months ended June 30, 2015 and 2014, respectively.

Net Realized Investment Gains. The Company recorded a net realized investment gain of \$211,000 for the three months ended June 30, 2015, compared to a gain of \$235,000 for the three months ended June 30, 2014. The Company's decision as to whether to sell securities is based on management's ongoing evaluation of investment opportunities and economic market conditions, thus creating fluctuations in realized gains or losses from period to period.

Other Income. Other income increased \$574,000 from 2014 to 2015 primarily due to the recognition of a net gain of \$503,000 relating to the acquisition of GAF.

Insurance Benefits, Claims and Reserves. Insurance benefits claims and reserves increased 20%, or \$4,299,000 from 2014 to 2015. The increase is primarily due to an increase in assumed medical stop-loss of \$3,178,000 due to higher premiums assumed, an increase in small group stop-loss of \$1,917,000 due to higher premiums, an increase in direct occupational accident of \$1,347,000 due to higher premiums and higher claims, an increase in assumed international health of \$436,000 due to higher premiums assumed and higher claims, and an increase in pet of \$234,000 due to higher premiums, offset by a decrease in direct and assumed major medical of \$2,571,000 due to lower premiums, and a decrease in direct medical stop-loss of \$168,000 due to lower premiums.

Selling, General and Administrative. Selling, general and administrative expenses increased \$622,000 from 2014 to 2015. Excluding expenses related to GAF, totaling \$1,368,000, total selling, general and administrative expenses decreased \$746,000. The decrease is due to lower profit commission expense at Independence American of \$1,952,000, lower expenses of \$315,000 at Specialty Benefits, lower expenses of \$184,000 at HIO due to lower lead generation revenue, and lower expenses of \$112,000 at IPA Family, offset by higher commission expense of \$432,000 at Independence American due to higher premiums and a change in the mix of business, higher expenses of \$786,000 at Risk Solutions primarily due to higher salary expense relating to an increase in sales, and higher expenses of \$509,000 at IPAD due to an increase in salary expenses and operating expenses due to an increase in sales.

Amortization and Depreciation. Amortization and depreciation expense decreased \$42,000 from 2014 to 2015.

Income Taxes. The provision for income taxes increased \$216,000 to \$532,000, an effective rate of 37.1%, for the three months ended June 30, 2015, compared to \$307,000, an effective rate of 40.2%, for the three months ended June 30, 2014. Net income for the three months ended June 30, 2015 and 2014 includes a non-cash provision for federal income taxes of \$485,000 and \$307,000, respectively. The state tax effective rate increased to 1.3% for the three months ended June 30, 2015, compared to (1.2)% for the three months ended June 30, 2014 due to the mix of business by company and their respective state tax rates. For as long as AMIC utilizes its NOL carryforwards, it will not pay any income taxes, except for federal alternative minimum taxes and state income taxes.

Net Income (loss) attributable to the non-controlling interest. Net income attributable to the non-controlling interest increased \$65,000 from 2014 to 2015. The net income for the three months ended June 30, 2015 relates to the 49% non-controlling interest in HIO, the 20% non-controlling interest in GAF, and the 8% non-controlling interest in IPAD. The net income for the three months ended June 30, 2014 relates to the 49% non-controlling interest in HIO, the 8% non-controlling interest in IPAD, and the 10% non-controlling interest in IPA Family.

Net Income attributable to American Independence Corp. The net income attributable to the Company increased to \$887,000, or \$.11 per share, diluted, for the three months ended June 30, 2015, compared to \$457,000, or \$.06 per share, diluted, for the three months ended June 30, 2014.

Results of Operations for the Six Months Ended June 30, 2015, Compared to the Six Months Ended June 30, 2014.

		Fees and	Net	Benefits,	Selling,	Amortization	
	Premiums	Other	Investment	Claims	General	and	
June 30,	Earned	Income	Income	and	and	Depreciation	Total
2015				Reserves	Admin		
(In thousands)							
Independence							
American:							
Medical stop-loss	\$ 34,958	-	523	26,350	7,358	-	\$ 1,773
Fully Insured							
Health	35,631	-	426	21,075	12,283	-	2,699
Group Disability	2,860	-	56	1,841	861	-	214
Total Independence							
American	73,449	-	1,005	49,266	20,502	-	4,686
Agencies	-	14,256	59	-	15,301	679	(1,665)
Corporate	-	-	46	-	723	-	(677)
Subtotal	\$ 73,449	14,256	1,110	49,266	36,526	679	2,344
Net realized investment gains							
							352
Income before income taxes							
							2,696
Income taxes							
							(987)
Net income							
							1,709
Less: Net income attributable to the non-controlling interest							
							(100)
Net income attributable to American Independence Corp.							
							\$ 1,609
	Premiums	Fees and	Net	Benefits,	Selling,	Amortization	
	Earned	Other	Investment	Claims	General	and	
June 30,	Earned	Income	Income	and	and	Depreciation	Total
2014				Reserves	Admin		
(In thousands)							
Independence							
American:							
Medical stop-loss	\$ 28,096	-	609	18,300	8,903	-	\$ 1,502
Fully Insured							
Health	35,121	-	355	22,757	11,080	-	1,639
Group Disability	2,911	-	44	1,726	874	-	355
Total Independence							
American	66,128	-	1,008	42,783	20,857	-	3,496
Agencies	-	15,595	63	-	15,744	862	(948)
Corporate	-	-	30	-	887	-	(857)
Subtotal	\$ 66,128	15,595	1,101	42,783	37,488	862	1,691
Net realized investment gains							
							283
Income before income taxes							
							1,974
Income taxes							
							(649)
Net income							
							1,325
Less: Net income attributable to the non-controlling interest							
							(226)
Net income attributable to American Independence Corp.							
							\$ 1,099

Premiums Earned. Premiums earned increased 11%, or \$7,321,000 from 2014 to 2015. The Company currently has three lines of business. Premiums relating to medical stop-loss business increased \$6,862,000 due to an increase of \$5,546,000 in small group stop-loss premiums written due to an increase in sales, and an increase of \$6,648,000 in medical stop-loss assumed by Independence American due to an increase in volume produced by Risk Solutions, offset by a decrease of \$5,332,000 in medical stop-loss premiums written by Independence American through an independent MGU that has been terminated. Premiums relating to fully insured health (consisting of major medical, short-term medical, dental, vision, gap, occupational accident, pet insurance, and international medical) increased \$510,000. The increase is primarily due to an increase of \$2,804,000 in pet premium written due to an increase in sales, an increase of \$2,348,000 in occupational accident business written due to the transfer of business from another carrier, an increase in international medical premiums assumed of \$1,223,000, an increase of \$730,000 in hospital indemnity premiums written, an increase of \$528,000 in occupational accident premiums assumed, and an increase of \$456,000 in short-term medical premiums written and assumed, offset by a decrease in major medical premiums written and assumed of \$7,534,000. Premiums relating to group disability decreased \$51,000 due to lower international LTD premiums assumed of \$143,000, offset by higher DBL premiums assumed of \$92,000. For the six months ended June 30, 2015, Independence American assumed 10% of IHC's short-term medical business, 20% of IHC's DBL business, 8% of certain of IHC's LTD business, approximately 29% of IHC's medical stop-loss business, and 10% of certain of IHC's group major medical business. There were no significant changes to these percentages from the prior year.

Fee and Agency Income. Fee and agency income decreased \$1,915,000 from 2014 to 2015. Excluding income related to GAF, totaling \$1,139,000, total fee and agency income decreased \$3,054,000. Risk Solutions fee income-administration increased \$2,026,000 to \$7,568,000 for 2015, compared to \$5,542,000 for 2014 primarily due to an increase in volume of premiums produced. Risk Solutions fee income-profit commission decreased \$434,000 to (\$62,000) for 2015, compared to \$372,000 for 2014 due to an increase in loss ratios. Profit commissions for a given year are based primarily on the performance of business written during portions of the three preceding years. Therefore, profit commissions for 2015 are based on business written during portions of 2012, 2013 and 2014. In 2015, agency income consisted of commission income and other fees of \$846,000, \$1,029,000 and \$1,139,000 from IPA Family, IPAD and GAF, respectively, and revenue of \$510,000 and \$2,592,000 from HIO and Specialty Benefits, respectively. In 2014, agency income consisted of commission income and other fees of \$1,109,000 and \$312,000 from IPA Family and IPAD, respectively, and revenue of \$4,862,000 and \$3,340,000 from HIO and Specialty Benefits, respectively. The decrease in revenue for HIO is primarily due to decreased lead generation income at HIO due to changes brought about by the ACA, although such decrease in income is substantially offset by a decrease in expenses below.

Net Investment Income. Net investment income increased \$9,000 from 2014 to 2015. The consolidated investment yields were 2.9% and 2.8% for the six months ended June 30, 2015 and 2014, respectively.

Net Realized Investment Gains. The Company recorded a net realized investment gain of \$352,000 for the six months ended June 30, 2015, compared to a gain of \$283,000 for the six months ended June 30, 2014. The Company's decision as to whether to sell securities is based on management's ongoing evaluation of investment opportunities and economic market conditions, thus creating fluctuations in realized gains or losses from period to period.

Other Income. Other income increased \$576,000 from 2014 to 2015 primarily due to the recognition of a net gain of \$503,000 relating to the acquisition of GAF.

Insurance Benefits, Claims and Reserves. Insurance benefits claims and reserves increased 15%, or \$6,483,000 from 2014 to 2015. The increase is primarily due to an increase in assumed medical stop-loss of \$5,179,000 due to higher premiums assumed, an increase in small group stop-loss of \$4,686,000 due to higher premiums, an increase in direct occupational accident of \$2,636,000 due to higher premiums and higher claims, an increase in pet of \$1,182,000 due to higher premiums, an increase in assumed international health of \$1,072,000 due to higher premiums assumed and higher claims, an increase in occupational accident assumed of \$317,000 due to higher premiums and higher claims, and an increase of \$177,000 in assumed short-term medical due to higher premiums assumed and higher claims, offset by a decrease in direct and assumed major medical of \$6,101,000 due to lower premiums, and a decrease in direct medical stop-loss of \$2,512,000 due to lower premiums.

Selling, General and Administrative. Selling, general and administrative expenses decreased \$962,000 from 2014 to 2015. Excluding expenses related to GAF, totaling \$1,368,000, total selling, general and administrative expenses decreased \$2,330,000. The decrease is due to lower expenses of \$4,001,000 at HIO due to lower lead generation revenue, lower profit commission expense at Independence American of \$2,219,000, offset by higher commission expense of \$1,412,000 at Independence American due to higher premiums and a change in the mix of business, higher expenses of \$1,528,000 at Risk Solutions primarily due to higher salary expense relating to an increase in sales, and higher expenses of \$1,021,000 at IPAD due to an increase in salary expenses and operating expenses due to an increase in sales.

Amortization and Depreciation. Amortization and depreciation expense decreased \$183,000 from 2014 to 2015.

Income Taxes. The provision for income taxes increased \$338,000 to \$987,000, an effective rate of 38.0%, for the six months ended June 30, 2015, compared to \$649,000, an effective rate of 37.1%, for the six months ended June 30, 2014. Net income for the six months ended June 30, 2015 and 2014 includes a non-cash provision for federal income taxes of \$931,000 and \$638,000, respectively. The state tax effective rate increased to 0.8% for the six months ended June 30, 2015, compared to (0.6)% for the six months ended June 30, 2014 due to the mix of business by company and their respective state tax rates. For as long as AMIC utilizes its NOL carryforwards, it will not pay any income taxes, except for federal alternative minimum taxes and state income taxes.

Net Income (loss) attributable to the non-controlling interest. Net income attributable to the non-controlling interest decreased \$100,000 from 2014 to 2015. The net income for the six months ended June 30, 2015 relates to the 49% non-controlling interest in HIO, the 20% non-controlling interest in GAF, and the 8% non-controlling interest in IPAD. The net income for the six months ended June 30, 2014 relates to the 49% non-controlling interest in HIO, the 8% non-controlling interest in IPAD, and the 10% non-controlling interest in IPA Family.

Net Income attributable to American Independence Corp. The net income attributable to the Company increased to \$1,609,000, or \$.20 per share, diluted, for the six months ended June 30, 2015, compared to \$1,099,000, or \$.14 per share, diluted, for the six months ended June 30, 2014.

LIQUIDITY

Independence American

Independence American principally derives cash flow from: (i) operations; (ii) the receipt of scheduled principal payments on its portfolio of fixed income securities; and (iii) earnings on investments and other investing activities. Such cash flow is partially used to finance liabilities for insurance policy benefits and reinsurance obligations.

Corporate

Corporate derives cash flow funds principally from: dividends and tax payments from its subsidiaries and investment income from corporate liquidity. The ability of Independence American to pay dividends to its parent company is governed by Delaware insurance laws and regulations; otherwise, there are no regulatory constraints on the ability of any of our subsidiaries to pay dividends to its parent company. For the six months ended June 30, 2015, our Agencies paid \$1,923,000 in dividends to Corporate.

Cash Flows

The Company had \$4.5 million and \$4.6 million of cash and cash equivalents as of June 30, 2015 and December 31, 2014, respectively.

For the six months ended June 30, 2015, operating activities provided the Company with \$6.3 million of cash, whereas \$6.2 million of cash was utilized by investing activities due higher net purchases of securities under resale and repurchase agreements. Financing activities utilized \$0.1 million for the period due to the purchase of the remaining non-controlling ownership interest in IPA Family in the second quarter of 2015.

At June 30, 2015 and December 31, 2014, the Company had \$19,975,000 and \$18,881,000 of restricted cash. These amounts are directly offset by corresponding liabilities for Premium and Claim Funds Payable. The amount increased \$1,094,000 due to the timing of paid claims during the year. This asset, in part, represents the premium that is remitted by the insureds and is collected by Risk Solutions on behalf of the insurance carriers they represent. Each month the premium is remitted to the insurance carriers by Risk Solutions. Until such remittance is made the collected premium is carried as an asset on the balance sheet with a corresponding payable to each insurance carrier. In addition to the premium being held at Risk Solutions, Risk Solutions is in possession of cash to pay claims. The cash is deposited by each insurance carrier into a bank account that Risk Solutions can access to reimburse claims in a timely manner. The cash is used by Risk Solutions to pay claims on behalf of the insurance carriers they represent.

At June 30, 2015, the Company had \$41,097,000 of policy benefits and claims that it expects to pay out of current assets and cash flows from future business. If necessary, the Company could utilize the cash received from maturities and repayments of its fixed maturity investments if the timing of claim payments associated with the Company's policy benefits and claims does not coincide with future cash flows.

The Company believes it has sufficient cash to meet its currently anticipated business requirements over the next twelve months including working capital requirements and capital investments.

BALANCE SHEET

Total investments, net of amounts due to/from brokers, increased \$6,855,000 to \$85,992,000 during the six months ended June 30, 2015 from \$79,137,000 at December 31, 2014, primarily due to higher net purchases of securities under resale and repurchase agreements and higher net purchases of fixed maturity securities.

The Company had receivables from reinsurers of \$5,861,000 at June 30, 2015. Substantially all of the business ceded to such reinsurers is of short duration. All of such receivables are either due from related parties, highly rated companies or are adequately secured. No allowance for doubtful accounts was deemed necessary at June 30, 2015.

The Company's future policy benefits and claims liabilities by line of business are as follows (in thousands):

	Total Future Policy Benefits and Claims Liabilities	
	June 30, 2015	December 31, 2014
Medical Stop-Loss	\$ 21,656	\$ 15,929
Fully Insured Health	17,329	15,742
Group Disability	2,112	1,945
	<u>\$ 41,097</u>	<u>\$ 33,616</u>

The increase in total policy benefits and claims of \$7,481,000 is primarily attributable to an increase in premiums written for small group stop-loss, occupational accident, and assumed international medical business, offset by a decrease in direct stop-loss and major medical business.

Generally, during the first twelve months of an underwriting year, reserves for medical stop-loss are first set at the projected net loss ratio, which is determined using assumptions developed using completed prior experience trended forward. The projected net loss ratio is the Company's best estimate of future performance until such time as developing losses provide a better indication of ultimate results.

Major factors that affect the projected net loss ratio assumption in reserving for medical stop-loss relate to: (i) frequency and severity of claims; (ii) changes in medical trend resulting from the influences of underlying cost inflation, changes in utilization and demand for medical services, the impact of new medical technology and changes in medical treatment protocols; and (iii) the adherence to the Company's underwriting guidelines. Changes in these underlying factors are what determine the reasonably likely changes in the projected net loss ratio.

The primary assumption in the determination of fully insured reserves is that historical claim development patterns tend to be representative of future claim development patterns. Factors which may affect this assumption include changes in claim payment processing times and procedures, changes in product design, changes in time delay in submission of claims, and the incidence of unusually large claims. The reserving analysis includes a review of claim processing statistical measures and large claim early notifications; the potential impacts of any changes in these factors are minimal. The time delay in submission of claims tends to be stable over time and not subject to significant volatility. Since our analysis considered a variety of outcomes related to these factors, the Company does not believe that any reasonably likely change in these factors will have a material effect on the Company's financial condition, results of operations, or liquidity.

The \$1,942,000 increase in AMIC's stockholders' equity in the first six months of 2015 is primarily due to \$338,000 capital adjustment relating to the acquisition of a 9% ownership interest in IPA Family and net income of \$1,609,000.

Asset Quality and Investment Impairments

The nature and quality of insurance company investments must comply with all applicable statutes and regulations, which have been promulgated primarily for the protection of policyholders. The Company's gross unrealized losses on available-for-sale securities totaled \$738,000 at June 30, 2015. Approximately 99.5% of the Company's fixed maturities were investment grade. The Company marks all of its available-for-sale securities to fair value through accumulated other comprehensive income or loss. Higher grade investments tend to carry less default risk and, therefore, lower interest rates than other types of fixed maturity investments. At June 30, 2015, approximately 0.5% (or \$390,000) of the carrying value of fixed maturities was invested in non-investment grade fixed maturities (primarily mortgage securities) (investments in such securities have different risks than investment grade securities, including greater risk of loss upon default, and thinner trading markets). The Company does not have any non-performing fixed maturity investments at June 30, 2015.

The Company reviews its investments regularly and monitors its investments continually for impairments. There were no realized losses for other-than-temporary impairments recorded for the six months ended June 30, 2015 and 2014. At June 30, 2015, the Company did not own securities in which the carrying value was less than 80% of their amortized cost.

The unrealized losses on all available-for-sale securities have been evaluated in accordance with the Company's impairment policy and were determined to be temporary in nature at June 30, 2015. In 2015, the Company recorded \$205,000 of net unrealized losses on available-for-sale securities, pre-tax, in other comprehensive income (loss). From time to time, as warranted, the Company may employ investment strategies to mitigate interest rate and other market exposures. Further deterioration in credit quality of the companies backing the securities, further deterioration in the condition of the financial services industry, a continuation of the current imbalances in liquidity that exist in the marketplace, a continuation or worsening of the current economic recession, or additional declines in real estate values may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods and the Company may incur additional write-downs.

CAPITAL RESOURCES

As Independence American's total adjusted capital was significantly in excess of the authorized control level risk-based capital, the Company remains well positioned to increase or diversify its current activities. It is anticipated that future acquisitions or other expansion of operations will be funded internally from existing capital and surplus and parent company liquidity. In the event additional funds are required, it is expected that they would be borrowed or raised in the public or private capital markets to the extent determined to be necessary or desirable.

OUTLOOK

Independence American

Independence American, which is domiciled in Delaware, is licensed to write property and/or casualty insurance in all 50 states and the District of Columbia, and has an A- (Excellent) rating from A.M. Best Company, Inc. ("A.M. Best"). An A.M. Best rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial condition and operating performance, and is also based upon factors relevant to policyholders, agents, and intermediaries, and is not directed towards protection of investors. A.M. Best ratings are not recommendations to buy, sell or hold securities of the Company.

The majority of Independence American's revenue is from reinsurance premiums, although Independence American continues to increase the premiums written on its paper. Independence American is focusing on sales of pet insurance, occupational accident, short-term medical, dental, and small-group medical stop-loss. Independence American has ceased writing major medical plans for individuals and families and small group major medical. Given its A- (Excellent) rating from A.M. Best, Independence American expects to expand the distribution of its occupational accident and ancillary health products. IPA Family, Aspira A Mas and IPAD have begun to write major medical through well-known national insurance companies, and have been successful in cross-selling Independence American's and IHC's ancillary products.

- We continue to experience significant growth in reinsured medical stop-loss premiums as a result of growth in business directly written by IHC, and this trend is continuing in 2015. This increase is attributable to a growing market for medical stop-loss as smaller employers identify the advantages of self-funding, the expansion of IHC as a direct writer, and the success of IHC's captive solution program. The direct stop-loss business year to date growth in gross written premium is expected to be 24% through July 2015 and 38% over the last twelve months. We also began writing small group stop-loss on Independence American paper in 2014 and see continued growth in this market segment.

- We continue to focus on direct-to-consumer distribution initiatives through www.healthdeals.com, www.aspiraAmas.com, IPAD, and IPA Family as we believe this will be a growing means for selling health insurance and ancillary products in the coming years.

- Our major medical premiums will continue to decline as a result of having Independence American and IHC's carriers exit this line of business.

- We will further adapt to health care reform by continuing to proactively adjust our distribution strategies and mix of Fully Insured Health products to take advantage of changing market demands.

- We intend to continue to increase our sales of (and reinsurance from IHC's sales of) short-term and ancillary health products to offset the reduction in major medical premiums. We will also increase our DBL reinsurance premiums due to higher sales at IHC, and health insurance for groups seeking coverage for expatriate employees.

- We expect continued growth in occupational accident insurance.

- We make changes in the valuation allowance for our deferred tax asset from time to time in response to changes in our forecast of earnings. Increases (decreases) in our forecast would positively (negatively) impact our earnings and book value.

IHC Treaties

Independence American derives a significant amount of its premiums from pro rata quota share reinsurance treaties (“IHC Treaties”) with Standard Security Life and Madison National Life, which are wholly owned subsidiaries of IHC. These treaties, which were to terminate on December 31, 2014, have been amended to extend the termination date to December 31, 2019. With respect to the IHC Treaties, the Company’s operating results are affected by the following factors: (i) the percentage of business ceded to Independence American pursuant to the IHC Treaties; (ii) the amount of gross premium written by Standard Security Life or Madison National Life that is ceded to the IHC Treaties; and (iii) the amount of gross premium produced by Risk Solutions and other distribution sources written by carriers other than Standard Security Life or Madison National Life that is ceded to Independence American. The profitability of the business ceded will also impact our operating results. Independence American assumes medical stop-loss, fully insured health, DBL and LTD premiums from IHC under the IHC Treaties.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company manages interest rate risk by seeking to maintain an investment portfolio with a duration and average life that falls within the band of the duration and average life of the applicable liabilities. Options and other derivatives may be utilized to modify the duration and average life of such assets.

The Company monitors its investment portfolio on a continuous basis and believes that the liquidity of the Company will not be adversely affected by its current investments. This monitoring includes the maintenance of an asset-liability model that matches current insurance liability cash flows with current investment cash flows. This is accomplished by first creating an insurance model of the Company’s in-force policies using current assumptions on mortality, lapses and expenses. Then, current investments are assigned to specific insurance blocks in the model using appropriate prepayment schedules and future reinvestment patterns.

The results of the model specify whether the investments and their related cash flows can support the related current insurance cash flows. Additionally, various scenarios are developed changing interest rates and other related assumptions. These scenarios help evaluate the market risk due to changing interest rates in relation to the business.

The expected change in fair value as a percentage of the Company’s fixed income portfolio at June 30, 2015 given a 100 to 200 basis point rise or decline in interest rates is not materially different than the expected change at December 31, 2014 included in Item 7A of the Company’s Annual Report on Form 10-K.

In the Company’s analysis of the asset-liability model, a 100 to 200 basis point change in interest rates on the Company’s liabilities would not be expected to have a material adverse effect on the Company. With respect to its investments, the Company employs (from time to time as warranted) investment strategies to mitigate interest rate and other market exposures.

Item 4. Controls and Procedures

AMIC’s Chief Executive Officer and Chief Financial Officer supervised and participated in AMIC’s evaluation of its disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in AMIC’s periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Based upon that evaluation, AMIC’s Chief Executive Officer and Chief Financial Officer concluded that AMIC’s disclosure controls and procedures are effective.

There has been no change in AMIC’s internal control over financial reporting during the second quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, AMIC’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in legal proceedings and claims that arise in the ordinary course of its businesses. The Company has established reserves that it believes are sufficient given information presently available related to its outstanding legal proceedings and claims. The Company believes the results of pending legal proceedings and claims are not expected to have a material adverse effect on its financial condition or cash flows, although there could be a material effect on its results of operations for a particular period.

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 in response to Item 1A. to Part 1 of Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchase Program

In November 2012, the Board of Directors of AMIC authorized the repurchase of up to 962,886 shares of AMIC's common stock. The repurchase program may be discontinued or suspended at any time. As of June 30, 2015, 500,000 shares were still authorized to be repurchased under the program. There were no share repurchases during the quarter ended June 30, 2015.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Document</u>
2.1	Stock Purchase Agreement, dated as of July 30, 2002, between Registrant, SSH Corporation and Independence Holding Company. Incorporated by reference to exhibit 10.1 of the Registrant's Current Report on Form 8-K dated July 31, 2002
3.1	Second Amended and restated Certificate of Incorporation of the Registrant. Incorporated by reference to Exhibit 3.1 of the Registrant's Annual Report on form 10K for the fiscal year ended September 30, 2002.
3.2	Amended By-Laws of the Registrant. Incorporated by reference to Exhibit 3.1 of the Registrant's Annual Report on form 10K for the fiscal year ended September 30, 2002, as amended by Amendment to By-laws of American Independence Corp. Incorporated by reference to Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
10.1	Services Agreement, dated as of November 15, 2002, by and between American Independence Corp. and Independence Holding Company. Incorporated by reference to exhibit 10.2 of the Registrant's Current Report on Form 8-K dated November 14, 2002.
10.2	Agency Agreement, dated February 22, 2006, between the Registrant and First Integrated Health, Inc. Incorporated by reference to exhibit 10.2 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.3	Registrant's 1998 Stock Incentive Plan Incorporated by reference to exhibit 99.1 of the Registrant's Registration Statement on Form S-8 dated May 10, 1999.
10.4	Registrant's 1999 Supplemental Stock Incentive Plan. Incorporated by reference to exhibit 99.1 of the Registrant's Registration Statement on Form S-8 dated June 8, 1999.
10.5	Contribution Agreement dated April 15, 2008 by and among IPA Family, LLC, a wholly owned subsidiary of the Registrant, Insurance Producers Group of America, Inc., Insurance Producers of America Agency, Inc. and Independent Producers of America Agency, Inc. Incorporated by reference to exhibit 10.1 of the Registrant's Current Report on Form 8-K dated April 22, 2008.
10.6	Registrant's 2009 Stock Incentive Plan (the "2009 Plan"), form of Restricted Share Award Agreement under the 2009 Plan and form of Stock Option Award Agreement under the 2009 Plan. (The 2009 Plan was filed as Appendix A to the Proxy Statement for the Registrant's Annual Meeting of Stockholders held on June 19, 2009 and is incorporated herein by reference; the form of restricted share award agreement was filed as Exhibit 4.4 to the Registrant's Form S-8 filed with the SEC on July 31, 2009 and is incorporated herein by reference; and the form of stock option award agreement was filed as Exhibit 4.5 to the Registrant's Form S-8 filed with the SEC on July 31, 2009 and is incorporated herein by reference.)
10.7	Quota Share Reinsurance Agreement between Madison National Life Insurance, Inc. and Independence American Insurance Company, as amended. Incorporated by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (as amended).
10.8	Quota Share Reinsurance Agreement between Standard Security Life Insurance Company of New York and Independence American Insurance Company, as amended. Incorporated by reference to Exhibit 10.8 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (as amended).
18	Preferability Letter of KPMG LLP dated August 8, 2014. Incorporated by reference to exhibit 18 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN INDEPENDENCE CORP.
(Registrant)

/s/ Roy T.K. Thung
Roy T.K. Thung
Chief Executive Officer

Date: August 7, 2015

/s/ Teresa A. Herbert
Teresa A. Herbert
Chief Financial Officer and Senior Vice President

Date: August 7, 2015